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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000671

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SUBJECT: KMT HONORARY CHAIRMAN LIEN CHAN ON CROSS-STRAIT
RELATIONS AND DOMESTIC POLITICS

Classified By: AIT Deputy Director Robert S. Wang,
Reasons: 1.4 (b/d)

¶1. (C) Summary: KMT Honorary Chairman Lien Chan told the Director on June 5 that he viewed PRC President Hu Jintao as more capable and much more flexible on cross-Straits policy than his predecessor Jiang Zemin. Lien thought cross-Straits discussions on an Economic Cooperation Framework Agreement (ECFA) could start any moment and one important consideration will be Beijing's not interfering with Taiwan's ability to negotiate FTAs with other countries. Referring to statements by Hu Jintao, Lien predicted Beijing will want to put security arrangements on the cross-Straits agenda and will seek to draw a linkage to Taiwan arms procurement from the U.S. President Ma Ying-jeou is determined to resume the KMT chairmanship this summer, Lien said, explaining that in theory this should strengthen Ma's interaction with KMT legislators, making his leadership more effective. End Summary.

¶2. (C) On June 5, the Director paid a farewell call on KMT Honorary Chairman Lien Chan, who was accompanied by former TECRO Representative Stephen Chen. Lien expressed appreciation for the Director's service during what he termed a turbulent and important transition period. The Director recalled he had also been in Taiwan during the previous transition in 2000, and that a year before that, President Lee Teng-hui had proposed his controversial two-state theory. Lien said the two-state theory had been a surprise and shock within the KMT and had put him in a serious bind as the party's presidential candidate. Lee's two-state theory did not win votes for him from pan-Green supporters, but it did alienate the staunch KMT supporters, Lien explained.

¶3. (C) Lien gave credit to Lee and also to himself as premier for promoting Taiwan's democratization in the late 1980s and the 1990s. Taiwan also launched a plan to become an Asia-Pacific Operations Center during this period. However, Lee Teng-hui's sudden announcement in 1996 of his "go slow" policy on cross-Straits economic relations derailed the operations center plan, causing Taiwan to miss a golden opportunity, Lien said. Lien said both the previous KMT and DPP governments owed an apology to the people of Taiwan for failing to produce the most beneficial economic results.

¶4. (C) Without going into details, Lien said Lee's falling out with China occurred prior to his 1995 visit to Cornell University. According to Lien, Lee had established private

connections with the Beijing leadership through intermediaries. Although this private channel had handled some things successfully, at a certain point Beijing blocked Taiwan on more critical issues, leading to Lee's change in attitude.

¶5. (C) According to Lien, current PRC President Hu Jintao is much more flexible than his predecessor, Jiang Zemin. Jiang always insisted on an inflexible formula that was unacceptable to Taiwan: "one country, two systems, peaceful reunification." Jiang wasted the opportunity to improve cross-strait relations during his ten-year term as president, said Lien. By contrast, Hu Jintao is a very capable leader. Lien described Taiwan Affairs Office Director Wang Yi as smart, determined, and direct rather than evasive.

¶6. (C) The timing of the improvement in cross-strait relations has been very opportune, given the economic downturn, Lien suggested, adding that the improvement has made a major contribution to Taiwan psychologically as well as economically. Cross-strait discussions on an Economic Cooperation Framework Agreement (ECFA) could start at any moment, he observed. Although it is not clear ECFA can be concluded by the end of this year, that is the hope. The negotiation process could be tough, however, because of differences over which commodities should be included or excluded in ECFA. One of the very important issues in the ECFA discussions will be allowing Taiwan to negotiate closer economic relations (or FTAs) with other countries, including the U.S., Japan, and Singapore, Lien suggested.

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¶7. (C) Lien noted that the joint statement that Hu Jintao and he issued in 2005 place security arrangements before the economic cooperation framework in terms of priority. In recent statements, including his meeting with KMT Chairman Wu Poh-hsiung, Hu has continued to list security ahead of the economic framework. From what Hu has been saying, it appears the two sides will have to take up security issues, which are very complicated. Taiwan's government has expressed hope the mainland will first do something unilateral in this area to demonstrate goodwill. Possible actions could include a reduction in missile deployments, a halt to the buildup of conventional forces, and end to military exercises aimed at Taiwan. However, Lien predicted, the Chinese government will definitely link cross-strait security issue to U.S. arms sales to Taiwan.

¶8. (C) Lien wondered whether Taiwan should think about trying to participate in other international organizations, following its recent success at the WHA meeting. The Director suggested Taiwan might want to consider organizations or less formal groupings that deal with very practical issues, such as aircraft safety and maritime safety.

¶9. (C) The Director asked Lien whether he thought President Ma, in the interests of political harmony, should consider pardoning former President Chen Shui-bian if he is convicted in his corruption trial. (Note: When the Director referred obliquely to Chen as "someone you do not like," Lien asked jokingly, "do you mean Ma Ying-jeou?") While magnanimity in politics is a great thing, Lien said, the pan-Green supporters are not solidly behind Chen, and the question of whether or not to pardon Chen will likely become a minor political issue over time. Stephen Chen suggested that Ma could not pardon Chen before running for reelection in 2012 because the pardon would antagonize the Deep Blue voters whom Ma would need.

¶10. (C) Ma is determined to resume the KMT chairmanship, Lien observed. In theory, combining the two posts (president and chairman) should make Ma's leadership more effective. Ma and the KMT Legislative Yuan (LY) caucus both stand to benefit, as it will be easier for Ma to push his policy

initiatives through the LY, and the KMT legislators will be able to obtain resources directly from Ma. Moreover, Ma will be able to reach the people more directly through the legislature.

Comment

¶11. (C) Lien Chan had a large hand in crafting the cross-Strait initiatives that Ma Ying-jeou is now pursuing, and there seem to be no major differences over policy between the two. Nonetheless, Ma wants to consolidate his power, and he is working to gradually reduce the influence of Lien and other KMT elders. In the past, Lien has been unhappy that Ma did not seek his advice more often, for example, on personnel issues. At this stage, however, Lien seems increasingly resigned to the likelihood that he will be playing more of a background role as Ma asserts his leadership.
YOUNG